



## **BOARD CHARTER**

**AUGUST 2011**

# CHARTER OF THE BOARD OF DIRECTORS

## 1 Introduction

- 1.1 The business and corporate operations of Aristocrat Leisure Limited (the Company) are managed under direction of the Board of Directors (Board) on behalf of shareholders. The Board oversees the performance of management in seeking to deliver superior business and operational performance and long term growth in shareholder value.
- 1.2 This Charter sets out the role, responsibilities and functions of the Board. The Board is also subject to the provisions of the Company's Constitution.
- 1.3 In carrying out its responsibilities and powers as set out in this Charter, the Board will at all times recognise its overriding responsibilities to act honestly, fairly, diligently and in accordance with the law.

## 2 Composition of the Board

- 2.1 The composition, structure and proceedings of the Board are primarily governed by the Constitution and the laws governing corporations in jurisdictions where the Company operates.
- 2.2 As set out in the Corporate Governance Statement, the Board aims to have at all times an appropriate mix of skills and experience relevant to Company's businesses and the Board's responsibilities.
- 2.3 The Board has a policy that a director should serve no more than 12 years as a director, commencing from the date of nomination.

## 3 Independence

- 3.1 A majority of the Board must be independent directors. In considering whether a director is independent, the Board is to have regard to:
  - a) the relationship affecting the independent status of a director as described in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles);
  - b) any information, facts or circumstances that the Board considers relevant; and
  - c) any materiality thresholds, standards or guidelines as the Board may adopt from time to time.
- 3.2 The Board will assess annually whether each non-executive director is independent.
- 3.3 Any change in the nature of the independence status of a non-executive director must be promptly notified to the Chairman and Company Secretary.

## 4 Nomination and Election of Directors

- 4.1 Board succession planning is an important element of the governance process. The Board will regularly evaluate and review its succession planning process to ensure the progressive and orderly renewal of Board membership.
- 4.2 Where there is a need for a new appointment, the Board (with assistance where necessary from external consultants) will identify candidates with appropriate skills and experience to maintain the necessary mix of expertise on the Board.
- 4.3 A short list of potential candidates will be developed for detailed consideration and screening by the Board. Each director will be given the opportunity to meet with the potential candidates.
- 4.4 Any decision on the nomination of a new director will be made by the Board.

- 4.5 Before a candidate is nominated by the Board, they must confirm that they will have sufficient time to meet their obligations to the Company, in light of other commitments.
- 4.6 Any director nominated during the year will stand for election by shareholders at the subsequent Annual General Meeting (AGM) following their nomination. Shareholders are asked to approve the appointment of the director subject to the receipt of all necessary regulatory pre-approvals.
- 4.7 New directors shall be provided with a formal letter of appointment setting out the terms and conditions of appointment, together with a timetable of Board and committee meetings as well as other commitments, information on the Company, and a copy of the Board Charter and relevant Company policies.
- 4.8 New directors shall execute a Deed of Indemnity, Insurance and Access and are required to execute an agreement requiring the director to promptly advise the Company Secretariat of transactions in the Company's securities.

## **5 Retirement and Re-election of Directors**

- 5.1 A director may not hold office for a continuous period in excess of three years or past the third AGM following the director's appointment, whichever is longer, without submitting for re-election.
- 5.2 Retiring directors are eligible for re-election by shareholders. Board support for directors retiring by rotation and seeking re-election is not automatic. A director must take into account the views of the other directors when making a decision to stand for re-election.

## **6 Appointment of Chairman**

- 6.1 The Chairman shall be elected by the Board and must be an independent non-executive director.
- 6.2 The role of the Chairman is to lead the Board in the discharge of its duties and responsibilities, to agree the agendas for and chair meetings of the Board and of shareholders. The Chair is responsible for the conduct of those meetings and for facilitating the effective contribution of all members of the Board to its processes.
- 6.3 The Chair is also the major point of contact between the Board and the Chief Executive Officer (CEO).

## **7 Company Secretary**

- 7.1 The Board appoints and removes the Company Secretary. All directors shall have direct access to the Company Secretary.
- 7.2 The Company Secretary shall be accountable to the Board through the Chairman, on all corporate governance matters.
- 7.3 The Company Secretary shall be responsible for communication with the Australian Securities Exchange (ASX) about listing rule matters and for the day-to-day operations of the Company Secretariat.

## **8 Relationship between the Board and Senior Management**

- 8.1 The broad separation of functions and responsibilities between management and the Board are set out in this Charter and should be respected and clearly understood.
- 8.2 The Board gives direction and exercises judgement in setting the Company's objectives and overseeing their implementation. The Board has authorised the CEO to oversee the Company's day-to-day business and operations, within the limits of specific authorities set out in the delegations approved by the Board. The CEO has, in turn, approved sub-delegations of authority that apply to management.
- 8.3 The CEO is accountable to the Board for the authority that is delegated by the Board. The Board monitors the decisions and actions of the CEO and the group's progress on achieving the short, medium and long-term objectives as set by the Board.
- 8.4 In addition to the delegations of authority, the Board has reserved a number of matters for itself as set out in section 10 of this Charter.
- 8.5 The Board will regularly review the separation of functions and responsibilities between management and the Board to ensure that they are appropriate to meet the Company's needs and develop best practice standards, by reference to the ASX and relevant law.

## **9 Board Committees**

- 9.1 In accordance with the Constitution, the Board may from time to time establish committees to assist it in carrying out its responsibilities and shall adopt charters setting out matters relevant to the role, composition, rights, responsibilities and administration of those committees.
- 9.2 The Board has appointed the following committees:
  - a) Audit Committee;
  - b) Human Resources and Remuneration Committee; and
  - c) Regulatory and Compliance Committee.
- 9.3 Each non-executive director and non-executive director (elect) is entitled to attend meetings of the Board committees where there is no conflict of interest.

## **10 Functions of the Board**

- 10.1 The functions reserved for the Board include:
  - a) to review and approve the Company's strategy, business plans and annual budgets and financial objectives;
  - b) to agree with management appropriate performance indicators and monitor performance against those indicators and against the plans and budgets;
  - c) to assist management in identifying the principal risks of the Company's businesses and ensure the implementation of appropriate risk management and reporting systems;
  - d) approving capital expenditure, business acquisitions and other transactions outside the authorities delegated to the CEO;
  - e) considering management recommendations on capital management, the issue or allotment of equity, borrowings and other financing proposals, guarantees of non-group liabilities, and restructures;
  - f) ensuring that the Company operates an appropriate corporate governance structure;

- g) approving policies regarding disclosure and communications with the market and shareholders; and
- h) monitoring internal governance, including delegated authorities.

10.2 With the guidance of the Audit committee:

- a) reviewing and monitoring processes and controls, to maintain the integrity of accounting and financial records and reporting;
- b) selecting internal and external auditors and ensuring that proper audit procedures are in place, and that accounts comply with the Australian Accounting Standards and are true and fair;
- c) approving financial results and reports for public release; and
- d) approving the Company's dividend policy and dividend reinvestment plan.

10.3 With the guidance of the Human Resources and Remuneration Committee:

- a) approving CEO and senior management performance and equity based remuneration;
- b) monitoring recruitment, remuneration, retention, succession planning and termination for senior management;
- c) approving the Company's diversity policy and measureable objectives for achieving gender diversity, assessing annually those objectives and the progress towards achieving them, and monitoring the proportion of women across the group; and
- d) approving the Company's overall remuneration strategy.

10.4 With the guidance of the Regulatory and Compliance Committee, to review, approve and monitor policies to ensure compliance with the legal and regulatory regimes to which the Company is subject and to ensure corporate conduct of the highest standards of corporate behaviour.

10.5 The Board also takes on the role of nominations, which includes the following functions:

- a) determining the appropriate size and composition of the board (in accordance with the Company's Constitution);
- b) determining the appropriate criteria (necessary and desirable skills and experience) for appointment of directors;
- c) recommendations for the appointment, re-election and removal of directors; and
- d) the evaluation of the Board's performance.

10.6 The Board may delegate consideration of the matters listed above to a committee or a sub-committee of the Board specifically constituted for the relevant purpose.

## **11 Access to information and independent professional advice**

11.1 All directors must maintain the skills required to discharge their obligations to the group and its shareholders and are expected to take part in a range of internal and external training and continuing education programs.

11.2 Directors are encouraged to access senior executives to request relevant information in their role as a non-executive director.

11.3 Directors are entitled, with the approval of the Chairman, to seek independent professional advice at the Company's expense. Whenever practicable, the advice must be commissioned in the joint names of the director and the Company, and a copy of the advice should be made available to the entire Board.

## **12 Review of Board, Committee and Individual Directors' Performance**

12.1 The Board (with assistance where necessary or appropriate from external consultants) will regularly carry out a review of the performance of the Board, its committees, and each non-executive director. The review will assess, amongst other things:

- a) the effectiveness of the Board and each committee in meeting the requirements of its Charter;
- b) whether the Board and each committee has members with the appropriate mix of skills and experience to properly perform their functions;
- c) the contribution made by each director at meetings and in carrying out their responsibilities as directors generally, including preparing for meetings; and
- d) whether the content, format and timeliness of agendas, papers and presentations provided to the Board and each committee are adequate for them to properly perform their functions.

12.2 The outcomes of each review are submitted to the Board for consideration.

## **13 Confidentiality**

All proceedings of the Board, including Board papers, presentations and other information provided to the Board, shall be kept confidential except as required by law or as agreed by the Board.

## **14 Non-executive Directors' Meetings**

The non-executive directors are expected to meet at least quarterly with no management present, to review management performance. This will typically be done by way of an in-camera session prior to a Board meeting.

## **15 Review of the Board Charter**

The Board will regularly review the Charter to ensure that it meets current market practice, which complies with the ASX Principles and meets the needs of the Company and the Board.